The Power of Brands

THE LIMITED, INC. 2001 ANNUAL REPORT

Dear Partner,

This is my first letter to you since our decision to recombine The Limited and Intimate Brands into one public company. It is the latest in a series of steps we have made over the past several years to simplify and streamline the business while maximizing shareholder value. It's a positive change. Good for shareholders and associates.


NY&CO

2001 is officially in the books. A year none of us will ever forget. The economy was tough right from the start. In fact, I believed we were in recession from the beginning of the year, and the difficult business climate continued right through the summer.

Then came September 11. An event of such unspeakable horror it brought the entire world to a virtual standstill. Did people shop? It hardly mattered. We focused on doing the right things for our associates, our community and the heroes of the day. But more on that later.

I said we felt from the beginning of the year that the economic environment would be difficult. And we planned for it. Our strategies paid off. Our focus on building brands, talent and capabilities, things I've spoken of time and again, enabled us to manage a difficult year reasonably well. In fact, if I look across the competitive landscape, I'd say the efforts of the past several years really paid off this year. Especially at holiday.

Our business is healthy. Very healthy in fact. With almost $1.4 billion in cash, and more than $400 million in additional marketable securities. A very strong balance sheet.

We rigorously monitored and controlled our inventory throughout 2001, reducing it by nearly $200 million at cost, and ended the year with minimal fall carryover. Very significant when your brands are about fashion and moving to next.

We are very well positioned going into 2002. Well positioned because we have been doing the right things. Fewer, better brands. Tightly, some would say stringently, controlled inventories. And tough-minded expense management. We took over $150 million out of the capital expenditures budget this year, capped headcount, and I expect there are even greater savings to be had. For that, I want to thank CFO Ann Hailey and her team for an extraordinary effort and significantly improved results.

Yes, we planned for a tough year, and made something from it. We have, in fact, been planning conservatively and thoughtfully for several years. Rethinking the business. Building around brands. Building capabilities at the Center, as well as at the brands.

Our business is healthy. Very healthy in fact. With almost $1.4 billion in cash, and more than $400 million in additional marketable securities. A very strong balance sheet.

THE DESIGN STUDIO

EXPRESS

Cut-through products like Aromatherapy have allowed Bath & Body Works to become the fastest growing personal care business in history.

We've stayed on our game plan. Stuck to the fundamentals. And planned for rational, sustained healthy growth.

Our model works. It is not dependent on the "idea of the month." It's rooted in sound business principals and operating capability. And talent. An architecture, a thought process, a philosophy that plays over time.

Hopefully, we have demonstrated we don't get seduced. We didn't waste a dime on satellite selling. We were deliberate about e-commerce and have, in VictoriasSecret.com, one of the most profitable and successful sites anywhere. We didn't "go international" and I believe some of those that have will live to regret it.

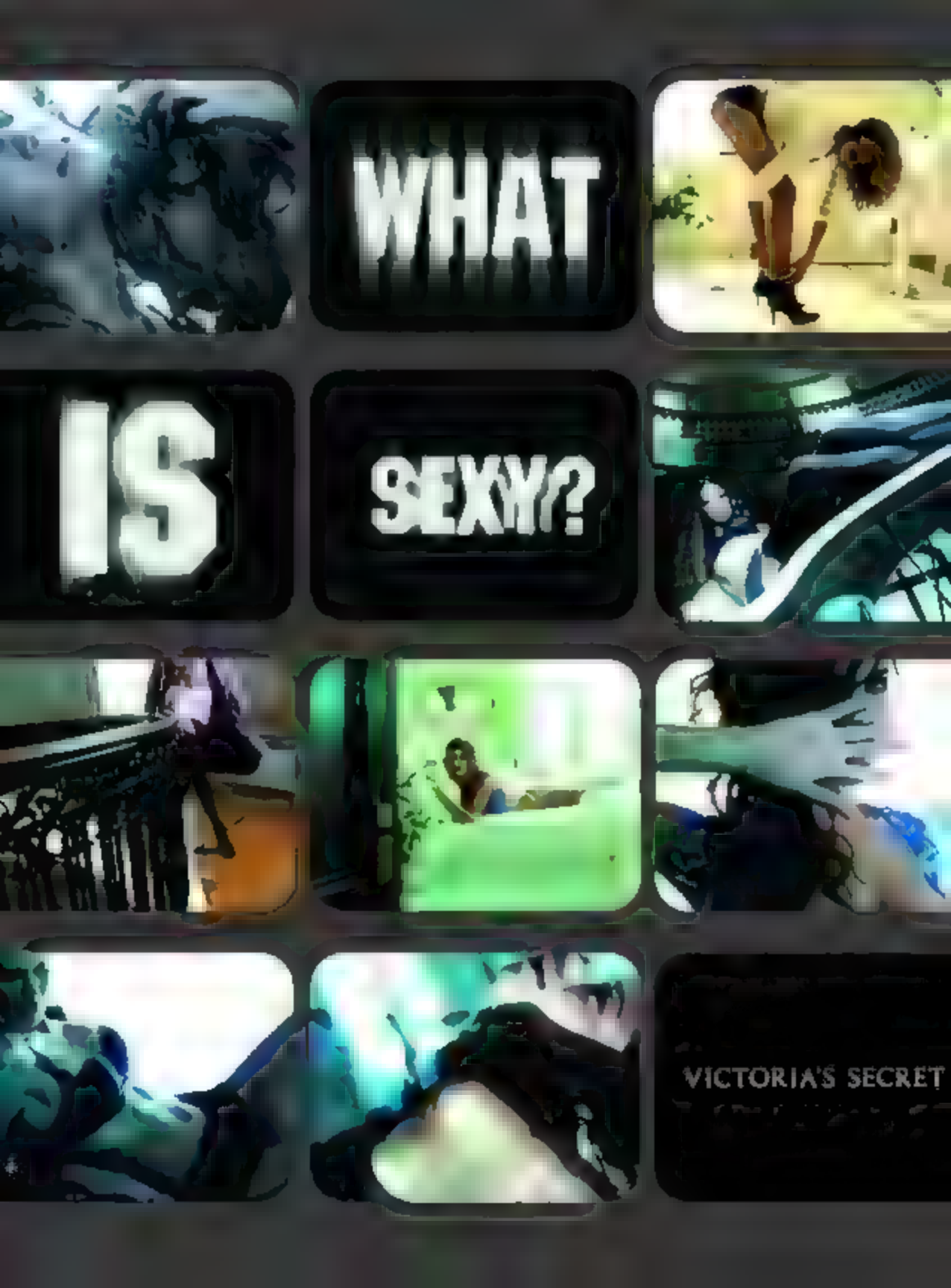
No, we don't talk about our new store on Bond Street, or our latest urban superstore. We talk about increasing transactions and increasing margins. Productivity per store. Top to bottom ratios. Compelling, profitable, customer-driven offerings. Every day. Every week. Every month. Rigor. Rigor. Rigor.

Clearly, brands win. And with Bath & Body Works, Express and Victoria's Secret we have three of the most compelling brands in retailing. Three, by the way, that balance each other beautifully.

I said our strategy, rooted in building brands, talent and capabilities, is working. And I believe it is just the beginning. In fact, as we looked out to 2006 through our Brand Growth Planning process, we saw the enormous power we have in our major brands, and the opportunities available to enrich customer franchises at Victoria's Secret, Bath & Body Works and Express. Opportunities that can clearly translate to brands like Limited and New York & Co., or to start-ups like White Barn Candle Company or the Shiseido joint venture, aura science.

Clearly, brands win. And with Bath & Body Works, Express and Victoria's Secret we have three of the most compelling brands in retailing.

Bath & Body Works®


WHAT
IS
SEXY?
VICTORIA'S SECRET

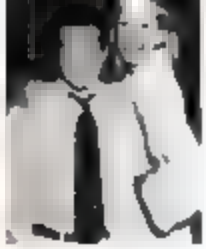
Powerful, always noticed television commercials have made Victoria's Secret the best known lingerie brand in the world

Our planning assumptions are based on sustained growth and dramatically larger, more powerful brands. A vision unlike any I could have imagined ten years ago. Back then, I saw a portfolio of brands that could each grow to about a billion dollars. Today, I believe it's possible to build a portfolio of multi-billion dollar master brands, with product portfolios and categories broader than anything we know today.

We're already doing it.

Consider the Victoria's Secret master brand, starting with bras, panties and lingerie, available in stores and catalogue. We have added hosiery, sleepwear, fragrance, skin care, color cosmetics and apparel, available 24 hours a day, seven days a week, anywhere in the world. What a powerful offering. *Body by Victoria* alone is a $500 million segment that grew at over 20% last year. And we already have two of the top ten prestige women's fragrances in America. Plus, the first ever Victoria's Secret men's fragrance, *Very Sexy for Him*, was last year's number one prestige men's fragrance launch. Truly remarkable.

Today, I believe it's possible to build a portfolio of multi-billion dollar master brands, with product portfolios and categories broader than anything we know today. We're already doing it.



A steady stream of new fashion introductions keeps Victoria's Secret customers coming back to the brand time and time again

Well planned.
Well bought.
Well coordinated.
Well displayed.
Well marketed.
Well done.

Our competitors marvel at the growth of the brand. And our ability to market it. In fact, Victoria's Secret marketing is a paradigm of advertising, positioning and public relations. So powerful, in fact, that Ed Razek, our Chief Marketing Officer, was able to approach the ABC television network with a truly audacious idea: take the world famous Victoria's Secret Fashion Show to prime time network television. ABC said "Yes," and the rest is marketing history. Not only did we double ABC's audience figures in the toughest time slot of the week, reaching over twenty million homes, we kicked off the holiday sales season with a powerful, exciting program that created top-of-mind awareness for the brand. It was a win for everyone—gutsy bold and recognized by *Time Magazine* as one of the top marketing ideas of the year. And it could have only happened with Victoria's Secret.

Yes, the show helped sales. And the Victoria's Secret brand did have a very, very good Christmas. But the biggest factor in their holiday success was planning. And coordination. Between the three divisions of the brand, and the Center, for well over a year. Well planned. Well bought. Well coordinated. Well displayed. Well marketed. Well done.

Victoria's Secret has infinitely more room to grow. But our story, and our business, is much more than Victoria's Secret alone.

VICTORIA'S SECRET


THE DESIGN STUDIO
EXPP


RESS

Bath & Body Works' new store design presents the brand in a stronger more sophisticated way.

believe that Michael Weiss and his team at Express have made substantial progress. Especially when you consider they absorbed the entire Structure business, re-branded it as Express Men and had a full offering for men under that label this spring. A very quick turnaround. Plus, sense real momentum in their women's business. Michael is acknowledged as one of the savviest merchants in retail, and he has a laser sharp view of his customer. The Express mega-brand has already reached the multi-billion dollar sales level, and has far greater growth ahead.

Bath & Body Works is a billion dollar plus brand. One that is rethinking every piece of its product offering, as well as its entire organizational structure. Bath & Body Works' future is very bright. Beth Pritchard has described an "apothecary of the future" where customers roam from one lifestyle related product to another. To prepare, she's assigned brand managers, research and development people, and marketers to her largest sub-segments, each of which represents multi-million dollar sales today, with exponential growth potential.

Am I 100% certain of what all this will ultimately look like? No. But I am certain we'll get there. How? First and foremost by continuing to manage today. Can't have a long term without a short term.

Bath & Body Works' future is very bright. Beth Pritchard has described an "apothecary of the future" where customers roam from one lifestyle related product to another.


THE LIMITED

Limited Stores has made significant strides in fashion, marketing and presentation.

Next, we'll concentrate on our brand processes, driving development of key brand levers, resolving ongoing strategic merchandising and marketing issues, ensuring the brands have the fundamentals, the basic architecture, the business model to profitably grow.

And the talent.

It's up to Len Schlesinger and his team to acquire, develop and retain top talent. It's working. A recent article in *Women's Wear Daily* called the organization one of the most talent rich in retail. I believe that. I also believe that we have to continue to develop or recruit best in class talent across every discipline. It is key to winning.

Next, capabilities. We'll continue to focus on tactics, like "best at" to obtain disproportional merchandising profits, and inventory management to maximize our opportunities to chase with open-to-buy.

Let me be clear: our stringent inventory control and carryover strategies were not popular internally. Brand CEO's are understandably bullish and optimistic by nature. But they were the right decisions. The difference between success and failure in a tough year.

Again, you have to have a view, and align around it. We are tough-minded managers and we will do what it takes to remain healthy. There is no business "Lipitor®". You can't take a pill. You have to work to reduce cholesterol. And do it in a way that is not disruptive to the organization.

The scale of business we're talking about requires a broader, more sophisticated, more agile business model. We're in the early stages of creating a shared services program that leverages specialized skills and standardizes routine high-volume transactions across multiple business units. We'll also begin full-scale implementation of an integrated brand delivery program at Victoria's Secret, Bath & Body Works and Express. Great brands drive store volume and profits through consistent, quality execution. And we will.

A recent article in *Women's Wear Daily* called the organization one of the most talent rich in retail.


THE DESIGN STUDIO
EXPRESS

We'll look at product flow, from source to stores, and rationalize our real estate strategies and store design within financial and brand growth targets. And execute it all against sound, approved, profitable plans.

Our agenda dictates a skill set with a much higher degree of capability than ever before. We're talking about doubling, tripling, even quadrupling the scale and scope of what we're doing today. While getting better and faster as we do it.

We're talking about building an infrastructure that includes new product development, launch management skills, new real estate strategies, technology tools and solutions. All of it.

And, yes, it will require talent, teamwork, coordination and integration. And it will challenge our leadership models, organizational models, thought processes and systems. It's an exciting time.

And I promise you that as we go forward with these growth strategies, we are not going to take our eye off the ball. Or lose our disciplines. Or trade today for tomorrow. We will go at it thoughtfully and thoroughly. Concentrating on the few that produce the many.

We're talking about doubling, tripling, even quadrupling the scale and scope of what we're doing today. While getting better and faster as we do it.

Which leads me back to the beginning.

I don't believe a responsible organization can do well without also doing good. And in this regard, I'm prouder of our organization, and our people, than ever. Our businesses led United Way efforts in the cities where we are based, and our associates took time throughout the year to teach young people to read. Altogether we raised almost $11 million for United Way and gave 21,000 hours of one-on-one reading tutoring to children. We focused our Foundation's giving where it mattered most, on those key issues closest to our associates and customers: empowering women, improving education and mentoring children. And when crisis came, the organization responded. Sending over $1 million to NYC immediately, raising another $1 million plus for New York charities through the fashion show, while also adding a vital $6 million to the city's economy.

We made sure all our associates were safe. First priority. Closed every store nationwide. (We had five stores destroyed in the World Trade Center. Miraculously all of our people escaped unharmed.) Told anyone, anywhere in the organization: "If you're uncomfortable for any reason, don't come in." People came first. Period. You have to do the right thing everyday. And be proud of the way you've behaved. There is no alternative. Not on 9/11. Not on the other 364 days. For managing that extraordinary effort, I want to thank Len Schlesinger. You did the right things. And I'm proud of you and the entire organization.

I don't believe a responsible organization can do well without also doing good. And in this regard, I'm prouder of our organization, and our people, than ever.

HENRI BENDEL

I have great confidence in the future. We have the direction. We have the capability. We have the resources, the capital and the talent. It is well within our power to develop and own the unique competencies that will enable us to grow our business both internally and externally in ways that have never been seen in specialty retailing. A portfolio of world-class master brands.

Finally, if I may, a personal note. My mother, Bella Wexner, passed away this fall after a lengthy illness. She was with the business from its inception, served on the Board for over twenty years, and taught me many of the fundamentals I'm still using today. She was a great and generous woman. An enormously charitable person. A warm and wonderful human being. We miss her.

Sincerely,

Leslie H. Wexner
Chairman and Chief Executive Officer
The Limited, Inc.

Financial Results

OPERATING RESULTS

	[illegible]	[illegible]	[illegible]
[illegible]			
Apparel businesses	[illegible]	[illegible]	
Intimate Brands	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
Apparel businesses	$ [illegible]	$ [illegible]	$ [illegible]
Intimate Brands	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
Apparel businesses	$ [illegible]	$ [illegible]	$ [illegible]
Intimate Brands	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
Apparel businesses	[illegible]	[illegible]	[illegible]
Intimate Brands	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
Apparel [illegible]	[illegible]	[illegible]	[illegible]
Intimate Brands	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
Apparel [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Intimate Brands	$ [illegible]	$ [illegible]	$ [illegible]

YEAR-END POSITION

(Million except financial ratios)

	[illegible]	[illegible]	[illegible]
Total assets	$ [illegible]	$ [illegible]	$ [illegible]
[illegible] capital	$ [illegible]	$ [illegible]	$ [illegible]
Capital ratio	[illegible]	[illegible]	[illegible]
Long-term debt	$ [illegible]	$ [illegible]	$ [illegible]
Debt-to-equity ratio	[illegible]	[illegible]	[illegible]
Shareholders' equity	$ [illegible]	$ [illegible]	$ [illegible]
[illegible] return on average shareholders' equity **	[illegible]	[illegible]	[illegible]
Adjusted return on average assets **	[illegible]	[illegible]	[illegible]

QUARTERLY RESULTS

(Million)

	[illegible]			[illegible]			[illegible]		
	[illegible]	2000	% Change	[illegible]	2000	% Change	[illegible]	2000	% Change
Sales									
First Quarter	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ [illegible]	[illegible]
Second Quarter	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,299	[illegible]
Third Quarter	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fourth Quarter	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Year	$ [illegible]	[illegible]		$ [illegible]	$ [illegible]		$ [illegible]	$ [illegible]	
Adjusted earnings per share **									
First Quarter	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ 116	(45%)	$ [illegible]	$ 111	159%
Second Quarter	[illegible]	[illegible]	[illegible]	[illegible]	171	(31%)	[illegible]	48	(51%)
Third Quarter	[illegible]	[illegible]	[illegible]	[illegible]	88	(110%)	[illegible]	[illegible]	
Fourth Quarter	[illegible]	[illegible]	[illegible]	[illegible]	387	39%	[illegible]	406	29%
Total Year	$ [illegible]	$ [illegible]	[illegible]	$ [illegible]	$ 754	(12%)	$ [illegible]	$ [illegible]	[illegible]

** Adjusted amounts exclude the [illegible] and reflect the sale of Lane Bryant and the Limited Too [illegible] which occurred on January 31, 2001. See the "Other Data" section for a discussion of these [illegible].

Express

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Structure

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Lerner New York

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]

The Limited

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Victoria's Secret

[illegible]

Victoria's Secret Stores (Lingerie and Beauty)

	[illegible]	[illegible]	[illegible]
Sales (millions)	[illegible]	[illegible]	[illegible]
Comparable Store Sales	[illegible]	[illegible]	[illegible]
Number of Stores	[illegible]	[illegible]	[illegible]
Selling Square Footage (thousands)	[illegible]	[illegible]	[illegible]
Sales per Selling Square Foot	[illegible]	[illegible]	[illegible]
Average Selling Square Footage per Store	[illegible]	[illegible]	[illegible]

Victoria's Secret Direct

(Millions)

	[illegible]	[illegible]	[illegible]
Sales	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Brand Sales by Categories

	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Bras	[illegible]	[illegible]	[illegible]
Sleepwear	[illegible]	[illegible]	[illegible]
Clothing	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Swimwear	[illegible]	[illegible]	[illegible]
[illegible] & Other	[illegible]	[illegible]	[illegible]

Real Estate By Year

	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Bath & Body Works

[illegible]

	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible] Store Sales	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Where [illegible]

[illegible]

Brand Sales by Categories

	[illegible]	[illegible]	[illegible]
Bath & Body Care	[illegible]	[illegible]	[illegible]
Aromatherapy & Other	[illegible]	[illegible]	[illegible]
Collection	[illegible]	[illegible]	[illegible]
Home Fragrance	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Real Estate By Year

	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FINANCIAL SUMMARY

([illegible] except per share amounts, ratios and store and associate data)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
[illegible]											
Net sales	$ [illegible]	$ 10,105	$ 9,766	$ 9,365	$ 9,200	$ 8,652	$ 7,890	$ 7,321	$ 7,245	$ 6,944	$ 6,149
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Operating income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Operating income as a percentage of sales	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income as a percentage of sales	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]											
Basic net income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Diluted net income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dividends	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Book value	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Weighted average diluted shares outstanding	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]											
Total assets	[illegible]	[illegible]	[illegible]	$ 4,550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Return on average assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Working capital	[illegible]	[illegible]	[illegible]	$ 1,127	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Current ratio	[illegible]	[illegible]	[illegible]	2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital expenditures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long-term debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Debt-to-equity ratio	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shareholders' equity	[illegible]	[illegible]	[illegible]	$ 2,167	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Return on average shareholders' equity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comparable store sales increase (decrease)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]											
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Selling square feet	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Number of associates	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- Fifty-three week fiscal year
- [illegible]
- [illegible]
- [illegible]
- [illegible]

MANAGEMENT'S DISCUSSION AND ANALYSIS

[illegible]

[illegible]

[illegible]

The following unaudited financial data [illegible] the comparable periods for [illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]					
Express	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
Lane New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Structure	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total apparel [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
[illegible]					
[illegible] Science Stores	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bath & Body Works	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Total [illegible] Brands	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
Total Brands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] August [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] through [illegible]			[illegible]	[illegible]	[illegible]
[illegible]				[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
[illegible]					
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
Intimate Brands	[illegible]	[illegible]	[illegible]	[illegible]	
Other		[illegible]	[illegible]	[illegible]	[illegible]
Subtotal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]

- [illegible]
- Special and [illegible]

[illegible]

[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
[illegible]		[illegible]	[illegible]
[illegible] New York	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Structure	[illegible]	[illegible]	[illegible]
Total apparel [illegible]	[illegible]	[illegible]	[illegible]
[illegible] Science Stores	[illegible]	[illegible]	[illegible]
Bath & Body Works	[illegible]	[illegible]	[illegible]
Total [illegible] Brands	[illegible]	[illegible]	[illegible]
[illegible] Brands	[illegible]	[illegible]	[illegible]
Lane Bryant (through August 16, 2000)	[illegible]	[illegible]	[illegible]
Lingerie (through August 31, 1999)			[illegible]
[illegible] through August [illegible]			[illegible]
Total comparable store sales	[illegible]	[illegible]	[illegible]

	2001	2000	1999	% Change 2001-2000	% Change 2000-1999
Net Sales					
Retail sales increase (decrease) due to net new, closed and remodeled stores					
Apparel Businesses	[illegible]	[illegible]	[illegible]		
Intimate Brands	[illegible]	[illegible]	[illegible]		
Retail sales per average selling square foot					
Apparel Businesses	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
Intimate Brands	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
Retail sales per average store (thousands)					
Apparel Businesses	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
Intimate Brands	$ [illegible]	$ [illegible]	$ [illegible]	[illegible]	[illegible]
Average store size at end of year (selling square feet)					
Apparel Businesses	[illegible]	[illegible]	[illegible]		[illegible]
Intimate Brands	[illegible]	[illegible]	[illegible]		[illegible]
Selling square feet at end of year (thousands)					
Apparel Businesses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intimate Brands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Apparel Businesses			Intimate Brands		
	2001	2000	1999	2001	2000	1999
Number of Stores						
Beginning of year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Opened	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Closed	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Businesses separated						
Lane Bryant	[illegible]					
Galyan's			[illegible]			
TOO			[illegible]			
End of year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Net Sales

Fourth Quarter

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Full Year

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

In 2000, the apparel retail businesses reported a sales increase of 5% to $3,961 billion from $3,679 billion in 1999. The sales increase was primarily due to an 8% comparable store sales increase, partially offset by the net closure of 139 stores (1.8 million selling square feet).

Gross Income

Fourth Quarter

For the fourth quarter of 2001, the gross income rate (expressed as a percentage of sales) increased to 41.7% from 36.5% for the same period in 2000. The rate increase was primarily due to a significant increase in the merchandise margin rate at both IBI and the apparel businesses due to favorable product assortments and tighter inventory management. This resulted in lower markdowns in 2001 compared to the difficult fourth quarter in 2000. The buying and occupancy expense rate was about flat for the quarter.

For the fourth quarter of 2000, the gross income rate decreased to 36.5% from 39.7% for the same period in 1999. The rate decrease was primarily due to a decrease in the merchandise margin rate as a result of higher markdowns to clear slower selling inventory assortments during and after a highly promotional holiday season. Additionally, a slight increase in the buying and occupancy expense rate resulted from an increase at IBI that was partially offset by the positive impact of closing underperforming stores at the apparel businesses.

Full Year

In 2001, the gross income rate increased to 34.7% from 34.0% in 2000, as an increase in the merchandise margin rate was partially offset by an increase in the buying and occupancy expense rate. The increase in the merchandise margin rate was primarily due to lower markdowns, principally in the fourth quarter. The increase in the buying and occupancy expense rate was primarily the result of the inability to achieve leverage as comparable store sales decreased 4%.

In 2000, the gross income rate was 34.0%, unchanged from 1999, as a decrease in the merchandise [illegible] expense rate. The decrease in the merchandise margin rate was primarily due to higher markdowns, principally in the fourth quarter. The overall buying and occupancy expense rate improvement was a result of the benefit from store closings at the apparel businesses, which more than offset a slight increase in the buying and occupancy expense rate at IBI.

General, Administrative and Store Operating Expenses

Fourth Quarter

For the fourth quarter of 2001, the general, administrative and store operating expense rate (expressed as a percentage of sales) was 21.7% compared to 22.5% in 2000. The slight rate improvement was primarily due to a reduction in selling expenses per average store, which offset the lack of leverage resulting from a 5% decrease in comparable store sales. Additionally, lower fulfillment costs at Victoria's Secret Direct contributed to the improvement.

For the fourth quarter of 2000, the general, administrative and store operating expense rate increased to 22.5% from 21.5% in 1999. The increase was primarily due to a rate increase at IBI from increased investments in store selling at Bath & Body Works and Victoria's Secret Stores in anticipation of the normal holiday sales peak. These [illegible] IBI [illegible] comparable store sales increase.

Full Year

In 2001, the general, administrative and store operating expense rate [illegible] from [illegible] selling expenses [illegible] selling expenses [illegible] at Bath & Body Works.

In 2000, the general, administrative and store operating expense rate [illegible] from [illegible] in 1999. [illegible] selling at Bath & Body Works [illegible] percentage of sales.

Special and Nonrecurring Items

During the third quarter of 2001, [illegible] Bogner [illegible] charges [illegible] million [illegible] million related to [illegible] million [illegible].

During the fourth quarter of 2000, the Company recognized a $10 million special and nonrecurring charge [illegible] Bath & Body Works [illegible] charge [illegible] lease termination and store [illegible] $5 million [illegible].

In 1999, the Company recognized a $13 million charge for transaction costs related to the [illegible] New [illegible] during the fourth quarter [illegible] the Company [illegible].

Operating Income

Fourth Quarter

[illegible] fourth quarter of 2001 [illegible] expressed as a percentage of sales [illegible] in 2000. The rate increase was primarily due to a [illegible].

The operating income rate for the fourth quarter of 2000 decreased to [illegible] from [illegible] in 1999 [illegible] the fourth quarter [illegible] was due to a 2.9% decline in the gross income rate and a 1.0% increase in the general, administrative and store operating expense rate.

Full Year

In 2001, the operating income rate was 9.0% versus 8.6% in 2000. Excluding special and nonrecurring items in both years, the operating income rate was 8.0% in 2001 versus 8.7% in 2000. The rate decrease was driven by a 1.4% increase in the general, administrative and store operating expense rate, partially offset by a 0.7% increase in the gross income rate.

In 2000, the operating income rate was 8.6% versus 9.5% in 1999. Excluding special and nonrecurring items in both years, the operating income rate was 8.7% in 2000 versus 9.1% in 1999. The rate decrease was driven by a 0.4% increase in the general, administrative and store operating expense rate.

Interest Expense

In 2001, the Company incurred $9 million and $34 million in interest expense for the fourth quarter and year, compared to $17 million and $58 million in 2000 for the same periods. [illegible]

	Fourth Quarter				
	2001	2000	2001	2000	1999
Average borrowings	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Average effective interest rate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Income, Net

For the fourth quarter of 2001, other income (expense), net, was $7 million versus $5 million in 2000. For fiscal year 2001, other income was $22 million compared to $20 million [illegible] in 2001, which more than offset decreases in interest income resulting from significantly lower average effective interest rates.

Gains on Sale of Stock by Investees

In accordance with SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock of a Subsidiary," the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO").

During the second quarter of 2001, the Company recognized $62 million of pretax gains from the IPOs of Alliance Data Systems Corp. ("ADS") and Galyan's. ADS is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, footwear and accessories. Prior to the IPOs, the Company's ownership interest in ADS and Galyan's was approximately 31% and 37%, respectively. As of February 2, 2002, the Company owns approximately 14.7 million shares of ADS common stock, representing a 20% ownership interest, and 4.2 million shares of Galyan's common stock, representing a 19% ownership interest. Deferred taxes were provided on the gains using the Company's effective tax rate.

Effective August 31, 1999, a third party purchased a 60% majority interest in Galyan's. As a result, the Company recorded a pretax gain of $11 million, offset by a $6 million provision for taxes. In addition, the revised tax basis of the Company's remaining investment in Galyan's resulted in an additional $7 million of deferred tax expense.

Other Data

The following adjusted income information gives effect to the significant transactions and events in 2001, 2000 and 1999 that impacted the comparability of the Company's results. These items are more fully described in the "Special and Nonrecurring Items" and "Gains on Sale of Stock by Investees" sections in Management's Discussion and Analysis and in Notes 3 and 2 to the Consolidated Financial Statements.

Management belie[illegible] [illegible] understanding of the Company's results of operations.

Adjusted Income Information

(Millions except per share amounts)

	[illegible]			2000			1999		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net sales	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]	
Operating income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interest expense	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]				[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	[illegible]							[illegible]	
Income before income taxes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income tax [illegible]	[illegible]	[illegible]		[illegible]	[illegible]			[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net income per [illegible]	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]
Weighted average [illegible] outstanding	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]		[illegible]

Notes to Adjusted Income Information

(A) Excluded businesses

[illegible]

(B) Special items

[illegible]

(C) Provision for income taxes

[illegible]

FINANCIAL CONDITION

Liquidity and Capital Resources

[illegible]

[illegible]

(Millions)	[illegible]	2000	1999
Cash provided by operating activities	[illegible]	[illegible]	[illegible]
Working capital	[illegible]	[illegible]	[illegible]
Capitalization:			
Long-term debt	[illegible]	[illegible]	[illegible]
Shareholders' equity	[illegible]	[illegible]	[illegible]
Total capitalization	[illegible]	[illegible]	[illegible]
Additional amounts available under long-term credit agreements	[illegible]	[illegible]	[illegible]

[illegible]

	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Capital Expenditures

Capital expenditures amounted to $337 million, $446 million and $374 million for 2001, 2000 and 1999, of which $280 million, $[illegible] million and $[illegible] million were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures were primarily [illegible] million in [illegible] and [illegible] in 2001 [illegible] information technology and development costs.

The company anticipates spending approximately $400 million for capital expenditures in 2002, of which approximately $300 million will be for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures are primarily related to information technology and development costs. The Company expects that 2002 capital expenditures will be funded principally by net cash provided by operating activities.

The Company expects to increase selling space footage by approximately 350,000 square feet in 2002. It is anticipated that the increase will result from the addition of approximately 40 stores partially within DRC offset by the closing of approximately 100 stores, primarily within DRC where the apparel businesses

Investment [illegible]

The Company has fund, infrastructure and other financial investments in Easton, a 1,200 acre planned community in Columbus, Ohio, that integrates office, retail, residential and recreational space. These investments totaled $[illegible] million at February [illegible] 2001, and $74 million at February 3, 2001 and are included in other assets. See Note 4 to the Consolidated Financial Statements.

Cash flow activity relating to the Company's Easton investments was as follows:

(Millions)	[illegible]	2001	2000
Beginning balance, [illegible]	$	$ [illegible]	$ [illegible]
Sale of portion of NRE Blocks to joint venture			
$[illegible] million [illegible]			
Other, [illegible]	[illegible]	[illegible]	[illegible]
Net [illegible]	[illegible]	[illegible]	[illegible]

Included in the Company's Easton investments is a non-controlling interest in Easton [illegible] commercial entertainment and shopping [illegible] $[illegible] million [illegible] $[illegible] million, of which [illegible] was outstanding at February [illegible] 2001.

The loan is payable in full on December 8, 2001, with the option of the lender extend [illegible] the first $74 million of this loan. DRC does not report the debt [illegible] agreement's default provisions. The Company does not anticipate that it will be required to advance funds to DRC in order for DRC to meet its debt service costs on this loan.

The Company and one of the DRC members have also indemnified the bank against any environmental claims related to the Easton Town Center. The Company is not currently aware of any such environmental matters.

The Company has issued a $40 million standby letter of credit, on which the City of Columbus, Ohio can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December 1, 2024. Under the terms of the letter of credit, the City can draw funds if Easton projects are delayed or insufficient to cover the debt service requirements of the bonds. The Company does not currently anticipate that the City will be required to draw funds under the letter of credit.

Contractual Obligations and Contingent Liabilities

The Company's significant contractual obligations and contingent liabilities include its long-term debt obligations, operating lease commitments related principally to its stores, guarantees of store lease obligations of former subsidiaries and certain Easton-related [illegible] obligations.

As detailed in Note 9 to the Consolidated Financial Statements, the Company's long-term debt totals $400 million, $[illegible] million of which is due in May 2002. Minimum rent commitments under noncancelable leases total $3.254 billion (excluding additional payments required under some leases covering taxes, common area costs and certain other expenses) and are detailed by year in Note 5 to the Consolidated Financial Statements.

The Company has guaranteed $[illegible] million of minimum rent [illegible] Note [illegible] and are [illegible] Note [illegible] the [illegible] guarantees of the equipment [illegible] these leases. Contingent [illegible] million mortgage and the $40 million standby letter of credit related to Easton as previously discussed. These contingent liabilities are further detailed in Note 5 to the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

On June 29, 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and also addresses the accounting for goodwill and other intangible assets. SFAS No. 14. addresses the accounting for goodwill and other intangible assets subsequent to their acquisition and will be effective in the first quarter of 2002. The Company has [illegible] will not [illegible] material impact [illegible]

[illegible] SFAS No. 44 [illegible] impairment of [illegible] SFAS No. [illegible] SFAS No. [illegible]

[illegible]

Management believes the Company's exposure to interest rate and market risk associated with financial instruments such as investments and borrowings is not material.

Impact of Inflation

The Company's results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its estimates and judgments, including those related to inventories, long-lived assets, and future and contingencies. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management believes the following accounting principles are the most critical because they involve the most significant judgments, assumptions and estimates used in [illegible]

- **Inventories** – Inventories are valued at the lower of average cost or market, on a first-[illegible] of goods sold for all inventories on hand where a permanent markdown policy indicates is reflected in its stores. In addition, management makes estimates and judgments regarding, among other things, retail markup, markdowns, future demand and market conditions, all of which significantly impact inventory valuation. If actual future demand or market conditions are different than those projected by management, additional inventory write-downs may be required. Other significant estimates by management include shrinkage, obsolete and excess inventory. These [illegible]

- **Long-Lived Assets** – Long-lived assets are reviewed for impairment whenever [illegible] not be recoverable. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows. If future economic conditions are different than those projected by management, additional impairment charges may be required.

- **Claims and Contingencies** – The Company is subject to various claims and contingencies related to lawsuits, taxes, lease, [illegible] and other matters arising out of the normal course of business. The Company's financial statement treatment [illegible] of the applicable claim or contingency. The Company consults with legal counsel on matters related to litigation and seeks input from other experts both within and outside the Company with respect to matters in the ordinary course of business. The Company accrues a liability of the likelihood of an adverse outcome is probable and [illegible]

While the Company's recognition of revenue does not involve significant judgment, [illegible] recognition represents an important accounting policy of the Company. As discussed in Note 1 to the Consolidated Financial Statements, the Company recognizes revenue upon customer receipt of the merchandise and provides a reserve for projected [illegible]

[illegible]

[illegible]

CONSOLIDATED STATEMENTS OF INCOME

(Million dollars per share amounts)

	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]			
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF [illegible]

(Million dollars per share amounts)

	[illegible]	[illegible]
[illegible]		
[illegible]		
[illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]
[illegible]		
[illegible]		
[illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Millions)

	Common Stock Outstanding	Common Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance, January 31, [illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Net income				[illegible]			[illegible]
Cash dividends				[illegible]			[illegible]
Repurchase of common stock including transaction costs	[illegible]				[illegible]		[illegible]
Issuance of common stock				[illegible]			[illegible]
Issuance of nonparticipant stock redemption agreements		[illegible]	[illegible]	[illegible]			[illegible]
Exercise of stock options and other			[illegible]		[illegible]		
Balance, January 31, [illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Net income				[illegible]			[illegible]
Cash dividends				[illegible]			[illegible]
Repurchase of common stock including transaction costs	[illegible]				[illegible]		[illegible]
Retirement of treasury stock		[illegible]		[illegible]	[illegible]		
Exercise of stock options		[illegible]	[illegible]				
Issuance of stock options and other			[illegible]		[illegible]		[illegible]
Balance, January 31, [illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Net income				[illegible]			[illegible]
Cash dividends				[illegible]			[illegible]
Issuance of stock options and other			[illegible]	[illegible]	[illegible]		[illegible]
Balance, January 31, [illegible]	[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions)

	[illegible]	[illegible]	2014	2013
Operating Activities				
Net income	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Adjustments to reconcile net income to net cash provided by operating activities:				
[illegible]	[illegible]		[illegible]	[illegible]
Deferred income taxes			[illegible]	[illegible]
Depreciation and amortization, net	[illegible]		[illegible]	[illegible]
Excess tax benefits from exercise of stock options	[illegible]		[illegible]	[illegible]
Gain on sale of stock by subsidiary	[illegible]			[illegible]
Changes in assets and liabilities:				
[illegible]	[illegible]			[illegible]
Inventories	[illegible]		[illegible]	[illegible]
Accounts payable, accrued expenses and other			[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	
Net cash provided by operating activities	[illegible]		[illegible]	[illegible]
Investing Activities				
Purchase of property and equipment	[illegible]			
Capital expenditures			[illegible]	[illegible]
Net purchase of [illegible]				[illegible]
Net proceeds from [illegible]				[illegible]
[illegible]				[illegible]
Net cash provided by [illegible] investing activities	[illegible]		[illegible]	[illegible]
Financing Activities				
Repayment of long-term debt			[illegible]	[illegible]
Proceeds from issuance of long-term debt				[illegible]
Repurchase of common stock including transaction costs			[illegible]	[illegible]
Repurchase of common stock for employee tax withholdings	[illegible]		[illegible]	[illegible]
Net debt issuance	[illegible]		[illegible]	[illegible]
Stock option exercises and other common stock issuances				[illegible]
Settlement of [illegible]				[illegible]
Proceeds from issuance of stock options and other	[illegible]		[illegible]	[illegible]
Net cash used in financing activities	[illegible]		[illegible]	[illegible]
Net increase (decrease) in cash and equivalents	[illegible]		[illegible]	[illegible]
Cash and equivalents, beginning of year	[illegible]		[illegible]	[illegible]
Cash and equivalents, end of year	$ [illegible]		$ [illegible]	$ [illegible]

The accompanying Notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Principles of Consolidation

The Limited, Inc. (the "Company" or "The Limited") sells women's and men's apparel, women's intimate apparel and personal care products under various trade names through its specialty retail stores and direct response (catalog and e-commerce) businesses.

The consolidated financial statements include the accounts of the Company and its subsidiaries, including Intimate Brands, Inc. ("IBI"), an 84%-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. [illegible] Trading Co. ("Galyan's") through August 31, 1999, when a third party purchased a majority interest. Limited Too ("TOO") through August 23, 1999, when it was established as an independent company; and Lane Bryant through August 16, 2001, when it was sold to a third party.

Investments in unconsolidated affiliates over which the Company exercises significant influence but does not have control, are accounted for using the equity method. The company's share of the net income or loss of these unconsolidated affiliates is included in other income, net.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal year 2001 represent the fifty-two-week period ended February 2, 2002, and results for fiscal years 2000 and 1999 represent the fifty-three-week and fifty-two-week periods ended February 3, 2001 and January 29, 2000.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with original maturities of less than 90 days.

Inventories

Inventories are principally valued at the lower of average cost or market on a first-in first-out basis, using the retail method.

Vendor Allowances

The initial shipment of selling related supplies, including but not limited to hangers, [illegible]

Direct Response Advertising

Direct response advertising relates primarily to the production and distribution of the Company's catalogs and is amortized over the expected future revenue stream, which is principally three months from the date catalogs are mailed. All other advertising costs are expensed at the time the promotion first appears in media or to the store. Catalog and advertising costs amounted to $[illegible] million, $490 million and $[illegible] million in 2001, 2000 and 1999.

Long-lived Assets

Depreciation and amortization of property and equipment are computed on straight-line [illegible] 5 years for building and leasehold improvements, and 3 to 10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized.

Goodwill is amortized on a straight-line basis over 20 years. Additionally, goodwill related to IBI stock buybacks reduces as the shares are pursuant to grant shares decided for employee benefit plans. The cost of intellectual property assets is amortized based on the sell-through of the related products over the shorter of the term of the license agreement or the [illegible]

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Shareholders' Equity

On May 7, 2000, the Company declared a two-for-one stock split ("stock split") in the form of a stock dividend distributed on May 30, 2000 to shareholders of record on May 17, 2000. Shareholders' equity reflects the reclassification of an amount equal to the par [illegible] $[illegible] million from retained earnings to common stock, representing the par value of the common shares issued in the stock split. Accordingly, all share and per share data throughout this report has been restated to reflect the stock split.

Also in 2000, the Company repurchased 9 million shares of its common stock for $250 million.

In June 2000, the Company replaced its shareholder rights plan with a new plan. [illegible] shares.

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise. Shipping and handling revenues are included in net sales and the related costs are included in costs of [illegible] recognized as incurred. A reserve is provided for projected merchandise returns based [illegible]

Earnings Per Share

[illegible] in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." Earnings per basic share is computed based on the weighted average number of outstanding common shares. Earnings per diluted share includes the weighted average effect of dilutive options and restricted stock on the weighted average shares outstanding. Additionally, earnings per diluted share includes the impact of the dilutive options and restricted stock at IBI as a reduction to earnings. This resulted in a $0.01 reduction in 2001 and $[illegible] earnings per diluted share, but had no impact in 2001 earnings per diluted share.

Amounts	2001	2000	1999
[illegible]			
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]

The computation of earnings per diluted share excludes options to purchase 41.5 million, 41 million and 30 million shares of common stock in 2001, 2000 and 1999, respectively, because the option exercise price was greater than the average market price of the common shares during the year.

Gains on Sale of Stock by Subsidiaries

In accordance with Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock of a Subsidiary," the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO").

During the second quarter of 2001, the Company recognized $62 million of pretax gains as a result of the IPO's of Abercrombie & Fitch Co. ("A&F") and Galyan's Trading Company, Inc. ("Galyan's"). A&F is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, footwear and accessories. Prior to the IPO's, the Company's ownership interest in A&F and Galyan's was approximately 31% and 47%, respectively. As of February 2, 2002, the Company owns approximately 14.7 million shares of A&F's common stock, representing a 20% ownership interest, and 4.2 [illegible] Deferred taxes were provided on the gains using the Company's effective tax rate.

[illegible]

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Special and Nonrecurring Items

During the third quarter of 2001, the Company sold one of its apparel businesses, Lane Bryant, to Charming Shoppes, Inc. for $280 million of cash and 8.7 million shares of Charming Shoppes, Inc. common stock valued at $55 million. On December [illegible], 2001, the Company received an additional 0.9 million shares of Charming Shoppes, Inc. common stock valued at $6 million based on a final determination of Lane Bryant's net tangible assets at closing. The transaction resulted in a third quarter pretax gain of $170 million (net of $24 million of transaction costs) and a $68 million tax provision.

As a result of the transaction, the Company owns approximately 9% of Charming Shoppes, Inc. outstanding common stock, and is prohibited from selling the stock until August 16, 2002. The Company will continue to provide certain corporate services to Lane Bryant through a transition period under service agreements.

During the fourth quarter of 2000, the Company recorded a $10 million special and nonrecurring charge to close Bath & Body Works' nine stores in the United Kingdom. The charge consisted of non-cash store and other asset write-offs of $5 million and accruals for lease termination and other costs of $5 million, which were paid during 2001.

During the fourth quarter of 1999, the Company recognized the reversal of a $17 million liability related to downsizing costs for Henri Bendel, initially recognized as a special and nonrecurring charge to operating income in 1997. The execution of the plan to downsize the remaining Henri Bendel store in New York was primarily based on negotiations with the original landlord. However, a change in landlords ultimately resulted in the termination of negotiations during the fourth quarter of 1999, which prevented the completion of the original plan. As a result, the Company reversed the $17 million liability through the special and nonrecurring items classification.

On July 15, 1999 the Company's Board of Directors approved a formal plan to spin-off Limited Too. The record date for the spin-off was August 11, 1999 [illegible] shareholders receiving one share of Too, Inc. (the successor company to Limited Too) common stock for every seven shares of Limited common stock held on that date. The spin-off was completed on August 23, 1999. The Company recorded the spin-off as a $25 million dividend, which represented the carrying value of the net assets underlying the common stock distributed. As part of the transaction, the Company received total proceeds of $65 million that included a $50 million dividend from TOO and a $15 million repayment of advances to TOO. During the second quarter of 1999, the Company recognized a $13 million charge for transaction costs related to the spin-off.

3. Property and Equipment, Net

(Millions)	2001	2000
Property and equipment, at cost		
Land, buildings and improvements	$ [illegible]	$ [illegible]
Furniture, fixtures and equipment	[illegible]	[illegible]
Leaseholds and improvements	[illegible]	[illegible]
Construction in progress		[illegible]
Total	[illegible]	[illegible]
Less accumulated depreciation and amortization	[illegible]	[illegible]
Property and equipment, net	$ [illegible]	$ [illegible]

[illegible] Other Assets

(Millions)	[illegible]	2000
Goodwill and other intangibles, net of accumulated amortization of $[illegible] and $[illegible]	$ [illegible]	$ [illegible]
Investments in equity securities	[illegible]	[illegible]
Easton	[illegible]	[illegible]
Other	[illegible]	[illegible]
Total	$ [illegible]	$ [illegible]

[illegible]

[illegible] other investments in Easton, a [illegible] Columbus, Ohio that integrates office, hotel, retail, [illegible]

[illegible] contingent rent based on a percentage of sales [illegible]

(Millions)	[illegible]	2000	1999
Store rent:			
Fixed minimum	$ [illegible]	$ [illegible]	$ [illegible]
Contingent	[illegible]	[illegible]	[illegible]
Total store rent	[illegible]	[illegible]	[illegible]
Buildings, equipment and other		[illegible]	[illegible]
Total rent expense	$ [illegible]	$ [illegible]	$ [illegible]

For leases that contain predetermined fixed escalations of the minimum rentals and/or rent abatements, the Company recognizes the related rental expense on a straight-line basis and records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits, which are included in other long-term liabilities. At February 2, 2002 and February 3, 2001, this liability amounted to $[illegible] million and $107 million.

At February 2, 2002, the Company was committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of these commitments consists of store leases generally with an initial term of ten years, with options to renew at varying terms. Store lease terms generally require additional [illegible] for these additional payments are excluded from the following table.

(Millions)	
[illegible]	
2002	$ [illegible]
2003	[illegible]
2004	[illegible]
2005	[illegible]
2006	[illegible]
Thereafter	[illegible]

Additionally, the Company has guaranteed $335 million of minimum rent payments of Abercrombie & Fitch, TOO, Galyan's and Lane Bryant under noncancelable leases expiring at various dates through 2014. These guarantees relate only to leases that commenced prior to the disposition of these subsidiaries. The Company does not intend and is not required to renew its guarantees at the expiration of these leases.

The Company has a non-controlling interest in Easton Town Center, LLC ("ETC"), which owns and is developing the Easton Town Center, a commercial entertainment and shopping center. ETC's principal funding source is a $190 million secured bank loan, $183 million of which was outstanding at February 2, 2002. The loan is payable in full on December 6, 2003, with the option of two twelve-month extensions if certain requirements are met. The Company and one of the ETC members have guaranteed the first $75 million of this loan. If ETC does not meet the debt service coverage ratio required by the loan agreement, the members have the option to make additional cash contributions to ETC [illegible] the bank may call the loan under the agreement's default provisions.

The Company and one of the ETC members have also indemnified the bank against any environmental matters related to the Easton Town Center. The Company is not currently aware of any such environmental matters.

The Company has issued a $30 million standby letter of credit, on which the City of Columbus, Ohio can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December [illegible], 2024. Under the terms of the letter of credit, the City can draw funds if Easton property

[illegible]

[illegible]

Accrued Expenses and Other

(Millions)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
Insurance	[illegible]	[illegible]
Rent	[illegible]	[illegible]
Other	[illegible]	[illegible]
Total	[illegible]	[illegible]

Income Taxes

(Millions)	[illegible]	[illegible]	[illegible]
[illegible]			
Current			
Federal	[illegible]	[illegible]	[illegible]
State	[illegible]		[illegible]
Foreign		[illegible]	
Total	[illegible]	[illegible]	[illegible]
Deferred			
Federal			[illegible]
State		[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]
Total income tax expense	[illegible]	[illegible]	[illegible]

[illegible]

	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

(Millions)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Debt

(Millions)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]
[illegible]	[illegible]	
Total	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

10. Stock-based Compensation

Stock Options

Under the Company's stock plans, associates may be granted up to a total of 60 million restricted shares and options to purchase the Company's common stock at the market price on the date of grant. Options have a maximum term of ten years and generally vest over periods from four to six years.

Under separate IBI stock plans, IBI associates may be granted up to a total of 32 million restricted shares and options to purchase IBI's common stock at the market price on the date of grant. As of February 2, 2002, options to purchase 15 million IBI shares were outstanding, of which 6 million options were exercisable. These options have a weighted average exercise price of $12.75 and $13.01, respectively. Under these plans, options generally vest over periods from four to six years.

The Company measures compensation expense under APB Opinion No. 25, "Accounting for Stock Issued to Employees." If compensation expense had been determined under SFAS No. 123, "Accounting for Stock-Based Compensation," the pro forma effects on net income and earnings per share, including the impact of options issued by IBI, would have been a reduction of approximately $28 million or $0.07 per share in 2001, $22 million or $0.05 per share in 2000 and $19 million or $0.06 per share in 1999.

The weighted average per share fair value of options granted by The Limited ($5.84, $5.19 and $9.64 during 2001, 2000 and 1999) was used to calculate the pro forma compensation expense. The fair value was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for 2001, 2000 and 1999: dividend yields of 2.3%, 2.3% and 2.1%, volatility of 40%, 36% and 32%, risk-free interest rates of 4%, 5% and 7%, and expected lives of 4.5 years, 4.3 years and 5.2 years. For 2000 and 1999, the Company used an assumed forfeiture rate of 20%.

Restricted Stock

Approximately 73,000, 43,000 and 1,040,000 restricted Limited shares were granted in 2001, 2000 and 1999, with market values at date of grant of $1 million in each of 2001 and 2000 and $18 million in 1999. Restricted shares generally vest over a period of four to six years. Approximately 10,000 restricted shares granted in 1999 include performance requirements, all of which were met.

Additionally, IBI granted 93,000 and 340,000 restricted shares in 2000 and 1999. No IBI restricted shares were granted in 2001. Vesting terms for the IBI restricted shares are similar to those of The Limited. The market value of restricted shares is being amortized as compensation expense over the vesting period, generally four to six years.

Total expense related to stock-based compensation, including expense related to awards granted at IBI, amounted to $13 million in 2001, $13 million in 2000 and $29 million in 1999.

Limited Stock Options Outstanding at February 2, 2002

Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Remaining Contractual Life	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price
$ 7 - $ 10	7,482,000	3.0	$ 8.96	3,995,000	$ 8.62
$ 11 - $ 15	10,273,000	5.8	$ 13.64	4,019,000	$ 14.60
$ 16 - $ 20	11,249,000	8.0	$ 17.42	2,960,000	$ 16.18
$ 21 - $ 27	1,860,000	8.1	$ 22.35	598,000	$ 22.37
$ 7 - $ 27	30,864,000	6.3	$ 13.60	12,572,000	$ 12.08

	Number of Shares	Weighted Average Option Price Per Share
Limited Stock Option Activity		
1999		
Outstanding at beginning of year	29,606,000	$ 10.73
Granted	10,014,000	17.31
Exercised	(1,346,000)	9.20
Canceled	(5,900,000)	11.95
Outstanding at end of year	32,374,000	$ 12.03
Options exercisable at end of year	8,014,000	$ 9.68
2000		
Outstanding at beginning of year	32,374,000	$ 12.03
Granted	4,075,000	17.39
Exercised	(4,152,000)	10.32
Canceled	(2,280,000)	14.03
Outstanding at end of year	30,017,000	$ 12.86
Options exercisable at end of year	10,474,000	$ 11.53
2001		
Outstanding at beginning of year	30,017,000	$ 12.86
Granted	5,918,000	17.73
Exercised	(3,464,000)	10.08
Canceled	(3,607,000)	16.43
Outstanding at end of year	30,864,000	$ 13.63
Options exercisable at end of year	12,572,000	$ 12.08

11. Retirement Benefits

The Company sponsors a qualified defined contribution retirement plan and a nonqualified supplemental retirement plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service and compensation requirements. Company contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was $61 million in 2002, $58 million in 2001 and $54 million in 1999. The liability for the nonqualified plan, including contributions made by employees and the Company, amounted to $109 million and $107 million at February 2, 2002 and February 3, 2001 and is included in other long-term liabilities.

12. Derivatives, Fair Value of Financial Instruments and Credit Risk

Derivatives

The Company uses forward and energy contracts on a limited basis, in order to reduce market risk exposure associated with fluctuations in foreign currency and energy rates.

The forward contracts are designated at inception as hedges, and are monitored to determine their effectiveness as hedges.

During 2001, the Company entered into contracts to purchase electricity from its utility suppliers in these states, representing a commitment of approximately $9 million per year for the next two to three years. At the inception of these contracts, forecasted electricity requirements, which were estimated primarily based on historical energy usage, indicated that it was probable that all of the electricity would be used in the operations of the Company. Accordingly, these contracts initially qualified for, and continue to qualify for, the normal purchases and normal sales exception under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," (as amended by SFAS No. 138), which eliminates the requirement to account for these contracts as derivatives. The Company monitors its energy requirements on a regular basis, including an assessment of expected usage under the contracts.

The Company does not hold or issue financial instruments for trading purposes.

Fair Value

The carrying value of cash equivalents, accounts receivable, accounts payable, current portion of long-term debt, and accrued expenses approximates fair value because of their short maturity. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair value of the Company's long-term debt at February 2, 2002 and February 3, 2001 was $221 million and $396 million compared to the carrying value of $230 million and $400 million, respectively.

Credit Risk

The Company maintains cash and equivalents with various major financial institutions, as well as corporate commercial paper. The Company monitors the relative credit standing of these financial institutions and other entities and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of the entities to which it grants credit terms in the normal course of business.

13. Segment Information

The apparel segment derives its revenues from sales of women's and men's apparel. The Intimate Brands segment derives its revenues from sales of women's intimate and other apparel, and personal care products and accessories. Sales outside the United States were not significant.

The Company and IBI have entered into intercompany agreements for services that include merchandise purchases, capital expenditures, and cash management and leasing, inbound and outbound transportation and corporate services. These agreements specify that identifiable costs be passed through to IBI and that other service-related costs be allocated based on various methods. Costs are passed through and allocated to the apparel businesses in a similar manner. Management believes that the methods of allocation are reasonable.

As a result of its sale in fiscal 2001, the operating results of Lane Bryant are included in the "Other" category for all periods presented.

(Millions)	Apparel Businesses	Intimate Brands	Other[a]	Reconciling Items	Total
Segment Information					
2001					
Net sales	$ 3,811	$ 5,025	$ 518	-	$ 9,361
Intersegment sales	711	-	-	[b] $ (711)	-
Depreciation and amortization	76	137	64	-	277
Operating income	64	667	17	[c] (20)	928
Total assets	899	1,493	2,567	[d] (239)	4,719
Capital expenditures	71	198	68	-	337
2000					
Net sales	$ 4,019	$ 5,137	$ 949	-	$ 10,105
Intersegment sales	786	-	-	[b] $ (786)	-
Depreciation and amortization	83	122	66	-	271
Operating income	116	754	6	[c] [e] (10)	866
Total assets	939	1,437	1,548	[d] 113	4,089
Capital expenditures	90	245	131	-	466
1999					
Net sales	$ 3,797	$ 4,632	$ 1,347	-	$ 9,776
Intersegment sales	799	-	-	[b] $ (799)	-
Depreciation and amortization	89	105	58	-	252
Operating income	79	794	34	[c] 24	931
Total assets	927	1,384	1,791	[d] 24	4,126
Capital expenditures	103	296	62	-	476

[a] *Included in the "Other" category are Henri Bendel, Lane Bryant through August 10, 2001, Galyan's through August 31, 1999, TOO through August 12, 1999, non-core real estate, equity investments and corporate. None of the businesses included in "Other" are significant operating segments.*

[b] *Represents intersegment sales elimination.*

[c] *Represents intersegment receivable/payable elimination.*

Special and nonrecurring items

[d] *2001: a $170 million gain resulting from the sale of Lane Bryant.*

[e] *2000: a $10 million charge for Intimate Brands to close Bath & Body Works store stores in the United Kingdom.*

[f] *1999: 1) a $13 million charge for transaction costs related to the TOO spin-off, and 2) the reversal of a $21 million liability related to discontinuing costs for Henri Bendel. These special items relate to the "Other" category.*

14. Subsequent Event

On March 21, 2002, the Company completed a tax-free tender offer and merger which resulted in the acquisition of the IBI minority interest. The total purchase price was approximately $1.6 billion, based on approximately 89 million Limited common shares issued to be issued in the transaction.

The acquisition was effected through an offer to exchange 2.2 shares of Limited common stock for each share of IBI Class A common stock tendered. Upon completion of the tender offer and subsequent exchange, the Company owned greater than 90% of the outstanding common stock of IBI. Thereafter, the Company acquired the remaining outstanding common stock of IBI through a merger in which all publicly-held shares not tendered were exchanged for Limited common stock. As a result, IBI became a wholly-owned subsidiary of The Limited and the former public shareholders of IBI became shareholders of The Limited. IBI stock is no longer traded publicly on any exchange.

The Company's acquisition of the IBI minority interest will be accounted for using the purchase method of accounting, as prescribed by SFAS No. 142, "Business Combinations." Accordingly, the Company will allocate the purchase price to the minority interest portion of the fair values of identifiable net assets acquired. Any excess purchase price remaining after this allocation will be accounted for as goodwill which, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," will not be amortized.

The preliminary purchase price allocation includes approximately $400 million of acquired intangible assets that relate to trademarks, trademarks and licenses deemed to have indefinite lives. In accordance with SFAS No. 142, these intangible assets will not be amortized. The remaining purchase price allocation includes fair market value adjustments related to customer relationships and leases, property and equipment, leases, long-term debt and deferred rent. These adjustments will be amortized over their respective useful lives (primarily five years) resulting in a non-cash expense of approximately $5 million per year. In addition, the acquisition will result in approximately $1.2 billion of goodwill. None of the amounts recognized in the purchase price allocation, including goodwill, will be deductible for tax purposes.

In connection with the acquisition, vested and unvested IBI stock options and restricted stock units were exchanged for similar Limited stock awards. In accordance with Emerging Issues Task Force Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44," the Company will record a pretax, non-cash, compensating expense for fully vested awards of approximately $35 million in the first quarter of 2002. In addition, a pretax, non-cash compensation cost relating to the exchange of unvested Intimate Brands awards for Limited awards of approximately $50 million will be recorded as deferred compensation in the first quarter of 2002. This compensation cost will be recognized as expense over the remaining vesting periods, primarily the next two years.

15. Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 2001 and 2000 follow:

(Million except per share amounts)	First	Second	Third	Fourth
2001 Quarters				
Net sales	$ 2,127	$ 2,192	$ 1,980	$ 3,138
Gross income	571	602	567	1,323
Net income	16	72	60	157
Net income per share				
Basic	$ 0.07	$ 0.17	$ 0.15	$ 0.36
Diluted	0.07	0.16	0.21	0.73
2000 Quarters				
Net sales	$ 2,125	$ 2,289	$ 2,160	$ 3,512
Gross income	498	542	520	1,277
Net income	43	78	49	239
Net income per share				
Basic	$ 0.15	$ 0.19	$ 0.12	$ 0.55
Diluted	0.14	0.17	0.11	0.54

The following special items are included in the above results:

- *In 2001, a $170 million gain in the third quarter resulting from the sale of Lane Bryant and $42 million in gains in the second quarter resulting from the IPO's of ADS and Galyan's.*
- *In 2000, a $14 million charge in the fourth quarter to close Bath & Body Works' store store in the United Kingdom.*

MARKET PRICE AND DIVIDEND INFORMATION

The Company's common stock is traded on the New York Stock Exchange ("LTD"). On February 2, 2002, there were approximately 67,000 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company-sponsored retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately 200,000.

	Market Price High	Market Price Low	Cash Dividend Per Share
Fiscal Year 2001			
4th quarter	$ 18.86	$ 14.56	$ 0.075
3rd quarter	17.63	9.00	0.075
2nd quarter	17.50	14.94	0.075
1st quarter	19.99	14.63	0.075
Fiscal Year 2000			
4th quarter	$ 21.69	$ 14.50	$ 0.075
3rd quarter	29.00	18.31	0.075
2nd quarter	25.94	20.94	0.075
1st quarter	23.88	14.44	0.075

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of The Limited, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The Limited, Inc. and its subsidiaries at February 2, 2002 and February 3, 2001, and the results of their operations and their cash flows for each of the three years in the period ended February 2, 2002 (on pages 36 - 43) in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Columbus, Ohio
February 28, 2002, except for Note 14
as to which the date is March 21, 2002

Executive Officers

Leslie H. Wexner
Chairman and Chief Executive Officer

V. Ann Hailey
Executive Vice President and
Chief Financial Officer

Leonard A. Schlesinger
Executive Vice President and
Chief Operating Officer

Business Unit Leaders

Robin Burns
President and Chief Executive Officer
Intimate Beauty Corporation

Ed Bundell
Vice President and General Manager
Henri Bendel

Richard P. Crystal
President and Chief Executive Officer
Lerner New York

Diane S. Holtz, President
The Limited

Christiane Michaels, President
White Barn Candle Company

Grace A. Nichols
President and Chief Executive Officer
Victoria's Secret Stores

Beth M. Pritchard
President and Chief Executive Officer
Bath & Body Works

Jeff Stapinski, Chief Executive Officer
The Limited

Jerry Sirkilas, Chief Executive Officer
Mast Industries

Sharon Jester Turney
President and Chief Executive Officer
Victoria's Secret Direct

Michael A. Weiss
President and Chief Executive Officer
Express

Center Functions

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Barry D. Anderson, President
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Nicholas Lefkowitz, President
Logistics Services

Edward O. Razek, President and
Chief Marketing Officer
Brand and Creative Services

Jon J. Ricker, President and
Chief Information Officer
Technology Services

Gene Tenchio, President
Store Design and Construction

Stuart D. Burgoyne, Vice President
Controller

Timothy J. Fisher, Vice President
Treasury, Mergers and Acquisitions

Daniel P. Finkelman, Senior Vice President
Brand and Business Planning

Samuel P. Fried, Senior Vice President
General Counsel and Secretary

Mark A. Giese, Senior Vice President
Chief Stores Officer

David H. Hanson, Vice President
Taxes

Peter Hunsch, Senior Vice President
Merchandise Planning and Allocation

Bethmara Rankin, Vice President
Internal Audit

Bruce A. Sak, Senior Vice President
and Counsel
Company Affairs

Jerry Sirkilas, Senior Vice President
Production and Sourcing

Tracey Thomas Travis, Senior Vice President
Finance

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Chairman and Chief Executive Officer

V. Ann Hailey
Executive Vice President and
Chief Financial Officer

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Executive Vice President and
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Attorney at Law
Columbus, Ohio

Raymond Zimmerman ▲ ●
Chairman of the Board,
Wesco.com
Boca Raton, Florida

▲ Member of the Audit Committee

● Member of the Compensation Committee

■ Member of the Finance Committee

▲ Member of the Nominating Committee

Company Information

Headquarters
The Limited, Inc.
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Columbus, Ohio 43230
614.415.7000
www.Limited.com

Annual Meeting
The Annual Meeting of Shareholders is scheduled for
9:00 A.M., Monday, May 20, 2002
Three Limited Parkway
Columbus, Ohio 43230

Stock Exchange Listings
New York Stock Exchange
(Trading Symbol "LTD")
Commonly listed in newspapers as "Limited"

Independent Public Accountants
PricewaterhouseCoopers LLP
Columbus, Ohio

Overseas Offices
Antananarivo, Cairo, Guatemala City, Hong Kong,
Jakarta, Karmel, London, Mexico City, Milan,
The Philippines, Porto, Port Louis, Seoul,
Shanghai, Shenzhen, Taipei, Tokyo

10-K Report and Information Requests
A copy of Form 10-K is available without charge
through our Web site, www.Limited.com, or upon
written request to The Limited, Inc., Investor Relations,
Three Limited Parkway, Columbus, Ohio 43230
For information please call 614.415.6000

Stock Transfer Agent, Registrar, and Dividend Agent
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The Limited, Inc.
Founded 1963
As of February 2, 2002:
Number of associates: 100,000
Approximate shareholder base: 200,000

Anticipated Monthly Sales and Quarterly Earnings Dates for 2002

February Sales	3/7/02
March Sales	4/11/02
April Sales	5/9/02
May Sales	6/6/02
June Sales	7/11/02
July Sales	8/8/02
August Sales	9/5/02
September Sales	10/10/02
October Sales	11/7/02
November Sales	12/5/02
December Sales	1/9/03
January Sales	2/6/03
1st Quarter Earnings	5/20/02
2nd Quarter Earnings	8/22/02
3rd Quarter Earnings	11/21/02
4th Quarter Earnings	2/27/03

Live audio of the quarterly earnings conference calls can be accessed through our Web site, www.Limited.com.

Audio replays of both monthly sales and quarterly earnings conference calls can be accessed through our Web site, www.Limited.com, or by dialing 1.800.337.6041, followed by the conference call passcode, 179 (or 958).

Design
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